ISBN 978-623-99591-4-2

SUSTAINABILITY REPORT DISCLOSURE THROUGH CORPORET GOVERNANCE, MANAGERIAL OWNERSHIP AND COMPANY CHARACTERISTICS

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ABSTRACT

Companies that sustainability reports discloser are increasing than ever before. This study aims to examine the effect of corporate governance, managerial ownership, company characteristics on the disclosure of sustainability reports. The research population is conventional banking companies listed on the IDX (Indonesian Stock Exchange) in 2019-2021. The sample selection in this study used purposive sampling method. Based on the purposive sampling method, the number of companies that disclose sustainability reports are 15 companies. The analytical tool to examine the hypothesis is multiple regression analysis using the SPSS 26 program. The results of the study show that corporate governance and managerial ownership have no effect on the disclosure of the sustainability report, while the characteristics of the company affect the disclosure of the sustainability report.

KEYWORDS : Corporate Governance, managerial ownership, company characteristics, Sustainability Reports discloser

INTRODUCTION

The development of the economic sector that supports the smooth running of economic activity, especially the banking sector in Indonesia, is very interesting to observe. Banking companies are one of the sectors that are in demand by investors because this sector is one of the sectors that survives in the midst of the Indonesian economic conditions. (financial Services Authority, 2017).

The banking sector company was chosen because it plays an important role in meeting the needs of the community in terms of transactions. The tendency of the Indonesian people to conduct transactions has caused many new companies to appear in Indonesia in the banking sector because they consider the banking sector to have profitable prospects both now and in the future. The main reason for a company is to increase the prosperity of the shareholders. The way to increase it is by measuring the risks or opportunities of the company itself by using sustainability disclosures (sustainability report). The banking sector has become one of the investors' choices for investment in the capital market in the last three years, this can be proven by the sectoral index which has always increased in the last three years. The banking sector companies listed on the Indonesia Stock Exchange are 47 companies.

Disclosure of the sustainability report is the investor's perception of the level of success of a company. Many investors think that the sustainability report is a measure of the company's level of success in managing resources at the end of the current year. The practice of sustainability reports disclosures is based on stakeholder theory and legitimacy theory (Dowling and Pfeffer, 1975) in (Permatasari et al., 2019). Stakeholder theory explains that the company will try to disclosures mandatory or voluntary information, so that stakeholders continue to put their trust in the company. Disclosures of information that is mandatory is financial statements. Meanwhile, voluntary disclosures such as sustainability reports are needed by stakeholders who have or do not affect the company's economic activities (R.Edward Freeman, 1984) in (Alfaiz & Aryati, 2019). Through the disclosure of sustainability reports (social and environmental disclosures) the company can provide more sufficient and complete information related to activities and their effects on the social conditions of society and the environment. (Ghozali and Chariri,2007) in (accounting et al., 2021).

Sustainability reports disclosures has other factors, namely managerial ownership, managerial ownership is a condition that indicates that the manager has shares in the company or the manager is also a shareholder of the company (Rustiarini, 2017). Managerial ownership is a condition that indicates that the manager has shares in the company or the manager is also a shareholder of the company (Rustiarini, 2017). This is indicated by the large percentage of share ownership by the company's management. Managers who own company shares will of course align their interests as managers with their interests as shareholders. The greater the managerial ownership in the company, the more productive the manager's actions in maximizing the value of the company. (Fama & Jensen, 2005) stated that the higher the level of management ownership, the higher the motivation to disclose the company's activities. The company's activities are in the form of disclosure of a sustainability report. This is in line with (Nurrahman & Sudarno, 2017) which says that larger managerial share ownership has a greater potential to disclose sustainability reports compared to research (Samiadji Huda Setyawan, Willy Sri Yuliandari, 2018) which says managerial ownership has no effect on the sustainability report disclosures.

Sustainability reports disclosures has other influencing factors, namely company characteristics, company characteristics are characteristics or characteristics inherent in a business entity that can be seen from several aspects, including type of business or industry, ownership structure, level of liquidity, level of profitability, size of the company in the study. (Safitri & Saifudin, 2019) revealed that the company's characteristics have a positive effect on the disclosure of the sustainability report. The ratio in the characteristics of this company is the size of the company. Company size is the size or amount of assets owned by the company. The size of the company is considered to be able to increase the disclosure of the sustainability report because the larger the company is considered to be able to increase the disclosure of the sustainability report, because the larger the company, the more shares are sought after by investors and the wider the disclosure of the sustainability report to attract investors as well as to make it easier for commissioners to assess the performance of their own company. . Company size describes the size of a company as indicated by total assets, total sales, average total sales and average total assets. Large companies have large total assets so that the company is able to optimize the company's performance with the assets it owns so as to increase the sustainability reports disclosures. Company size is a picture of a company that shows the company's success which can be reflected in the total assets owned by the company. The size of the company can affect the disclosure of the sustainability report because the larger the company, the clearer the disclosure of the sustainability report. Meanwhile, according to research (Aziz, 2018) says that the characteristics of the company have no effect on the sustainability report disclosures.

Based on the empirical facts that have been described above, the formulation of the problem in this study includes:

1. What is the effect of corporate governance on the disclosure of the sustainability report?
2. What is the effect of managerial ownership on sustainability report disclosure ?
3. What is the effect of the company's characteristics on the disclosure of the sustainability report?.

METHODS

Types of research

The type of research used is causal associative research. This study analyzes the relationship between corporate governance, managerial ownership, and company characteristics as independent variables to determine their effect of sustainability reports disclosures as the dependent variable.

Population and Sample

The population of this study is the conventional banking companies listed on the Indonesia Stock Exchange (IDX) as many as 42 companies. In this study, samples were taken using non-probability sampling with purposive sampling method. Purposive sampling is done by taking samples based on certain criteria with the aim of providing maximum information (Bahri, 2018).

The sample selection criteria are conventional banking companies listed on the Indonesia Stock Exchange in 2019-2021, conventional banking companies that experience losses in 2019-2021, conventional banking companies that claim profits in 2019-2021, conventional banking companies that do not consistently disclose sustainability reports and Conventional banking companies that consistently disclose sustainability reports. Based on the criteria and sample selection procedures, 45 banking companies in 2019-2021 were obtained in this study.

Data Types and Sources

The type of data in this research is quantitative data in the form of numbers or numbers. These data are annual reports and sustainability reports of banking companies listed on the IDX for the 2019-2021 period. The data source of this study is secondary data (cross section) which aims to determine the effect of corporate governance, managerial ownership and company characteristics on the disclosure of sustainability reports.

Operational definition

The operational definition of variables is a description of the indicators of each variable and can be explained in the form of tables or narratives (Bahri, 2018). The operational definition in this study refers to several empiricists which are summarized in table 1.

Table 1. Variable Operational Definition

Variable		Operational definition	Reference Source
1.	sustainability report Disclosures	The dependent variable (bound) is a variable whose existence is influenced or becomes a result, because of the independent variable. Sustainability report disclosure formulated with sustainability report disclosure index (SRDI). $\text{SRDI} = \frac{\text{Jumlah item yang diungkapkan}}{\text{Jumlah item yang diharapkan}}$	(Bahri, 2018)
2.	*Coporate Governance*	*Corporate governance can be seen as a set of rules that apply to the company which further shows the relationships*	(Hasanah et al., 2017)

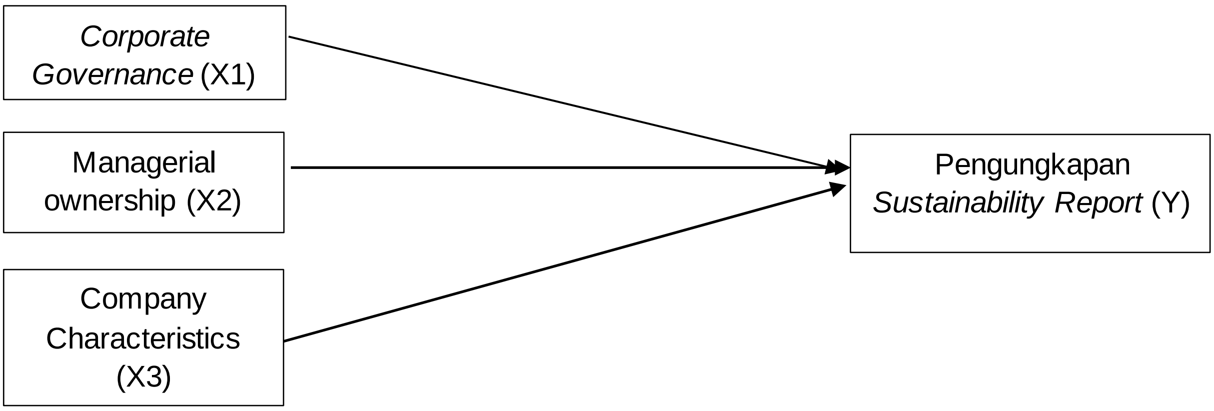
		between managers and shareholders. Corporate governance is formulated using the size of the board of commissioners. *Size of the Board of Commissioners = Number of the Board of Commissioners*	
3.	Managerial ownership	Managerial ownership is a condition that indicates that the manager has shares in the company or the manager is also a shareholder of the company. Managerial ownership is measured using managerial ownership. MWON = $\frac{\text{Jumlah Kepemilikan Manajerial}}{\text{Jumlah Saham Beredar}}$ x100%	(Rustiarini, 2017).
4.	Company characteristics	Company characteristics are characteristics or characteristics inherent in a business entity that can be seen from several aspects, including type of business or industry, ownership structure, level of liquidity, level of profitability, company size. The characteristics of the company using the ratio of the company size calculation. Company size = Size : Ln total assets	(Krisyadi & Elleen, 2020).

Data Source: Empirical Study

Conceptual Framework

The conceptual framework that describes the relationship between variables in this study can be described as follows:

Figure 1 Conceptual Framework



Based on Figure 1, the hypotheses of the study include:

H1 : *corporate governance has a positive effect sustainability reports disclosure*

H2 : managerial ownership has a positive effect *sustainability reports disclosure*

H3 : company characteristics have a positive effect *sustainability reports disclosure*

Data Analysis Techniques and Hypothesis Testing

In this study using the classical assumption test, namely normality test, multicolonoerity test, heteroscedasticity test, and correlation test. In addition to using the classical assumption test, it also uses multiple analysis techniques, the coefficient of determination test and hypothesis testing.

Data Normality Test

The approach used to test the normality of the data is the One-Sample-Kolmogorov-Smirnov test method. Decision making guidelines:

1. The value of sig 0.05, the distribution is not normal.
2. The value of sig 0.05, the distribution is normal.

Multicollinearity Test

Multicollinearity Test In the multicollinearity test to find out whether a regression model has symptoms of multicollinearity, it can be seen in the value of the variance inflation factor (VIF). The results of the calculation of the VIF value 10, the regression model is said to be good and there are no symptoms of multicollinearity. Eritas

Heteroscedasticity Test

Heteroscedasticity was tested using the spearman's rho method. Spearman's rho correlation is to correlate the independent variable with the residual. The test uses a significant level of 0.05 with a 2-sided test. If the correlation between the independent variables and the significance level of the ratio is more than 0.05, then it is said that there is no heteroscedasticity.

Autocorrelation Test

The tool used to test the autocorrelation using run test. The test criteria are significant values < 0.05, autocorrelation occurs and if significant values are > 0.05, there is no autocorrelation.

Multiple Regression Analysis

Multiple Linear Regression hypothesis testing is used to determine how the influence of independent variables on the dependent variable. Testing the research hypothesis using multiple regression models.

Coefficient of Determination Test

The level of accuracy of the regression is expressed in the coefficient of multiple determination (R2) whose value is between 0 to 1. A value close to 1 means that the independent variable provides almost all the information needed to predict the variation of the independent variable.

Hypothesis testing

The t-test is used to test the hypothesis of the influence of individual independent variables on the dependent variable.

RESULTS

Table 1 Data Normality Test One –Sample Kolmogorov-Smirnov Test

NPar Tests

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		42
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.03039305
Most Extreme Differences	Absolute	.120
	Positive	.103
	Negative	-.120
Test Statistic		.120
Asymp. Sig. (2-tailed)		.134[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

The normality test of the data used the one Sample Kolmogorov-Smirnov test. Based on table one Sample Kolmogorov-Smirnov/Test statistic is 0.120 with a significance level of 0.134. The significance value is 0.134 > 0.05, it can be concluded that the residual data is normally distributed and can meet the assumption of normality.

Table 2 Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.137	.508		.271	.788		
	CorporateGovernance	-.075	.066	-.250	-1.137	.263	.501	1.996
	KepemilikanManajerial	.053	.042	.212	1.275	.210	.875	1.143
	KarakteristikPerusahaan	.146	.094	.350	1.554	.129	.474	2.109

The results of the multicollinearity test show that the VIF value of the corporate governance variable is 1.996, the managerial ownership variable is 1.143 and the firm characteristic variable is 2.109. The three variables have a VIF value of less than 10 so it can be concluded that there is no multicollinearity between the independent variables.

Table 3 Heteroscedasticity Test

Correlations

			CorporateGovernance	KepemilikanManajerial	KarakteristikPerusahaan	Unstandardized Residual
Spearman's rho	CorporateGovernance	Correlation Coefficient	1.000	-.156	.684**	-.036
		Sig. (2-tailed)	.	.324	.000	.820
		N	42	42	42	42
	KepemilikanManajerial	Correlation Coefficient	-.156	1.000	-.405**	.147
		Sig. (2-tailed)	.324	.	.008	.353
		N	42	42	42	42
	KarakteristikPerusahaan	Correlation Coefficient	.684**	-.405**	1.000	-.124
		Sig. (2-tailed)	.000	.008	.	.434
		N	42	42	42	42
	Unstandardized Residual	Correlation Coefficient	-.036	.147	-.124	1.000
		Sig. (2-tailed)	.820	.353	.434	.
		N	42	42	42	42

**. Correlation is significant at the 0.01 level (2-tailed).

The results of the correlation between the variables of corporate governance, managerial ownership, company characteristics with Unstandardized Residual values have a Sig. (2-tailed) Significance of more than 0.05 so it can be concluded that there is no heteroscedasticity.

Table 4 Autocorrelation Test

Runs Test

	Unstandardized Residual
Test Value[a]	.00024
Cases < Test Value	20
Cases >= Test Value	21
Total Cases	41
Number of Runs	24
Z	.637
Asymp. Sig. (2-tailed)	.524

a. Median

The results of the run test show that the significance value is 0.524 > 0.05, so it can be concluded that there is no autocorrelation.

Table 5 Coefficient of Determination Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.288[a]	.083	.011	.03157

Based on the table, the R2 number is 0.11 or 1.1%. This shows that corporate governance, managerial ownership, company characteristics have an influence on the disclosure of sustainability reports by 1.1% while the remaining 99.9% is influenced by other variables not included in this study.

Table 6 Multiple Regression Analysis and Hypothesis Testing

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.728	.267		2.722	.010
	CorporateGovernance	.037	.035	.224	1.070	.291
	KepemilikanManajerial	-.027	.022	-.194	-1.225	.228
	KarakteristikPerusahaan	-.127	.049	-.551	-2.558	.015

The multiple linear equation is as follows: disclosure of sustainability report = 0.728 +0.37 corporate governance + (-0,27) managerial ownership + (-0.127) company characteristics. The results of the t table are found to be 1,681 and the conclusions of the t test are as follows:

a. Corporate governance variables
   The tcount value is 1.070 < 1.681 ttable with a significance value of 0.291 > 0.05. This value shows that corporate governance has a negative effect on the disclosure of sustainability reports
b. Managerial Ownership Variables
   The tcount value is 1.225 < 1.681 ttable with a significance value of 0.228 > 0.05. This value indicates that managerial ownership has no effect on the disclosure of the sustainability report.
c. Company characteristic variables
   The tcount value is -2.558 > 1.681 ttable with a significance value of 0.015 <0.05. This value indicates that the characteristics of the company have a significant negative effect on the disclosure of the sustainability report.'

DISCUSSION

The results of the study can be seen that the first hypothesis of corporate governance has no effect on the disclosure of sustainability reports so that the first hypothesis is rejected. This is in line with research (Adhipradana & Daljono, 2018) which says that corporate governance has no effect on the disclosure of sustainability reports and is contrary to research (Kumaat, 2017) which says that corporate governance affects the disclosure of sustainability reports. Banking companies definitely want large profits or profits from their operational activities, in other words the company does not want losses so that shareholders also take part in improving the company, the more shareholders, the more people who supervise the company's operations properly. Good corporate governance can encourage organizational management that is more democratic (participation of many interests), more accountable (there is accountability for every action), and is more transparent and will increase confidence that the company can provide long-term benefits.

The second hypothesis of this research is managerial ownership, the results of data analysis state that managerial ownership has no effect on the disclosure of sustainability reports so that the second hypothesis is rejected. This is supported by research (Samiadji Huda Setyawan, Willy Sri Yuliandari, 2018) which contradicts research (Nurrahman & Sudarno, 2017) which says that managerial ownership has a positive effect on sustainability report disclosure. The existence of managerial ownership in banking companies shows the alignment of interests between managers with shareholders. Managers who act as shareholders will also reduce agency costs and try to increase company wealth so that company performance will also increase.

The third hypothesis of this research is company characteristics, the results of data analysis state that company characteristics have a significant negative effect on sustainability report disclosure. This is because the company's characteristics have a company size ratio, company size is measured using the calculation of the logarithmic value of total assets, the greater the total assets in the banking sector company. the bigger the size of the company and the bigger the size of the company, it turns out that the more unsustainable the banking company is in disclosing the sustainability report because the sustainability report is voluntary (voluntary disclosure) which is carried out voluntarily by the company without being required by applicable regulations or disclosures that exceed those required.

CONCLUSION

This research shows that the results of the company's characteristics have a positive effect on the disclosure of sustainability reports, while corporate governance and managerial ownership have no effect on the disclosure of sustainability reports in conventional banking companies listed on the IDX for the 2019-2021 period. With this research, it is hoped that the government should require companies listed on the IDX to publish sustainability reports to enable companies to consider the impact on various sustainability issues. The theoretical benefit of this research is that it can be used as a source of further research as a source of information and a means of knowledge for the community.

This study has a limited number of samples so that the empirical test is less accurate. In addition, this study only uses three variables of corporate governance, managerial ownership, and company characteristics only have an effect of 1.1% d while the remaining 98.9% is influenced by other variables that are not included in this study. Suggestions that can be given for further research are expected to be able to add and expand the object of research and add variables as well as add years of research so that the empirical carried out is higher and more accurate, besides that it can look for other data sources that are more complete regarding sustainability reports disclosures.

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